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SUBJECT: A/S FRIED'S MEETING WITH U.S. NGOS

Classified By: POL M/C Alice G. Wells: 1.4 (b and d).

¶1. (C) SUMMARY: Representatives of four U.S.-based NGOs told EUR A/S Fried that they were trying to keep a low profile in light of the NGO law, approaching elections, and increasing GOR assertiveness, especially statist, in key economic sectors. Although NGOs were under increasing scrutiny and the GOR had shown its ability to use pressure when it desired, NGO representatives said there were also some signs of better cooperation in their own relations with the GOR and in U.S.-Russian relations more broadly, but those would likely be more apparent after the selection of Putin's successor and the upcoming elections. End summary.

¶2. (C) A/S Fried and the Ambassador on October 21 met with Carnegie Foundation Director Rose Goettemoeller, NDI Head of Office Mary O'Hagan, IRI Head of Office Joe Johnson, and AmCham Executive Director Andrew Somers. All of their organizations have been re-registered by the GOR, with NDI and IRI receiving word of their approvals on October 20.

Atmospherics

¶3. (C) A/S Fried began the meeting by noting that U.S.-Russian relations were mix, including areas where we cooperate well, where cooperation is mixed, and those where cooperation is difficult. U.S. policy sought to strengthen cooperation but also to raise U.S. concerns on issues, and criticize the GOR when necessary, especially (e.g., on Georgia) where the U.S. had marked differences with Russia. The Ambassador said that we had welcomed the re-registration of all four NGOs, and noted that DFM Yakovenko personally had called October 20 with information that IRI and NDI had been re-registered. He appreciated NGOs' patience and collegiality in working with the Embassy during the onerous registration process.

¶4. (C) Carnegie's Goettemoeller said that with elections approaching in Russia and the U.S., the political rhetoric would make it difficult to promote the positives in the bilateral relationship, and that NGOs and the U.S. would have to try to maintain a pragmatic relationship with the GOR until after the elections. She hoped that the aftermath would create opportunities to then strengthen the relationship. Carnegie staff had purposefully avoided public comments on the NGO law, she said, because it could have been counterproductive for its own application, which was approved earlier this month. Carnegie was also trying to reach out more aggressively to high-level GOR officials and had some success, such as support for Carnegie's work by Chief of Defense General Baluyevskiy. Human Rights Ombudsman Lukin had also been helpful.

¶5. (C) Carnegie's staff saw journalist Anna Politkovskaya's murder, and many of them knew her well, as a sign of a

negative swing in the atmosphere in Russia, with the potential for intimidation and threats against government critics to become more prevalent, Goettemoeller said. NDI's O'Hagan said that harassment of NDI and other NGOs showed that elements within the GOR could use selective enforcement of criminal and civil codes to threaten "unfriendly" or "excessively independent" NGOs and others with direct pressure sometimes placed on local staff by the Federal Security Service.

16. (C) IRI's Johnson noted that IRI had had little trouble in Russia, but of course it tried to keep a low profile, while still implementing its programs. He suggested that IRI potentially could have problems, however, if the Republicans lost control of the Congress in the upcoming U.S. elections. He explained that there was a trend in Russia that equated power with protection. If the Republicans lost power, then IRI might become targeted, while NDI in that case might suddenly enjoy a more constructive relationship with the authorities. In any case, Johnson said, with Russian elections looming and no successor to Putin emerging, the uncertainty of the transition was likely contributing to increasingly sharp jockeying for power, both in Moscow and in the regions. This could potentially lead to problems for NGOs that were seen as working in conjunction with "the opposition."

Economic and Business Climate

17. (C) AmCham's Somers said that U.S. businesses continued to enjoy extraordinary annual growth in Russia and that this was a positive for the bilateral relationship. There were further positive signs, such as a growing middle class and

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the expansion of U.S. businesses outside Moscow. There were also concerns that stemmed from the strong development of the Russian economy, such as a shrinking pool of talented managers and increasing wages. AmCham had good relationships with several ministries, such as the Ministry of Economic Development and Trade, and the Ministry of Finance. It had even reached out to the FSB to discuss import controls, which had been well received.

18. (C) However, the GOR was showing signs of increased intervention in strategic sectors, and the consolidation of power inside the GOR was making it more opaque. It was now harder to determine why certain decisions were made or who might be a helpful ally on business and investment issues. He suggested that the use of Russia's strategic resources to further the GOR's influence in foreign affairs was one factor contributing to this interventionist approach, and another could be that some within the GOR were pushing greater government intervention and control for personal gain before there was a change in power.

19. (C) A/S Fried asked if businesses were under increasing scrutiny or pressure. Somers said that until two years ago, none of AmCham's members had come to him about problems with corrupt officials. Since then, there have been cases of attempts to collect bribes, which the companies had managed to resist. Companies, regardless of their nationality, were also being subjected to tax audits following the Yukos affair, and these audits created certain pressure. One of AmCham's concerns was the potential for those audits to lead to criminal cases, but overall, this had not been a problem. Likewise, when audits led to some claim for back taxes, companies were able to defend themselves as tax courts were increasingly professional and there was little corruption within them. But even the generally better functioning tax courts were vulnerable to political pressure from GOR officials.

Comment

¶10. (C) The NGO participants noted that the mixed (though troubling) picture they described reflected the broader (and mixed) character of Russia. They concurred that over the short term, with elections approaching and uncertainty over Putin's successor contributing to increased sensitivities toward NGOs, that keeping a low profile, patience, caution, and trying to build relationships with GOR interlocutors during a difficult period would likely be the best way forward.

¶11. (U) A/S Fried has cleared this cable.
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